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Assessing the Relation between the Underground Economy and Irregular Migration in Italy

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Abstract:

A number of studies show the importance of the underground economy in defining the dynamics of migratory flows to southern European countries. A very high number of foreign-born workers are employed in the underground economy in Italy. However, by no means has the informal economy in the country been created by migrants. Instead, the opposite is true. Research demonstrates that it is precisely because the underground economy provides a wealth of employment opportunities, that there is a strong incentive for migrants to access southern European countries, especially Italy, despite the difficulties in gaining regular migration status.

Keywords: Italy, Irregular migration, Underground Economy, Euro-zone crisis, European Political Economy

The aim of this article is to discuss the role played by the underground economy in attracting irregular migration to Northern Mediterranean countries, focusing on the case of Italy. Various studies, especially by Emilio Reyneri,¹ have underlined the relation between migration and a thriving underground economy in southern European countries. Looking at the project 'Migrants' insertion in the informal economy, deviant behaviour and the impact on receiving societies',² it is possible to assess the impact of these dynamics on host societies.

Thanks to the adoption of an interdisciplinary approach,³ the project mentioned above allowed researchers to reach important conclusions with respect to the following aspects of migration:

- 1) The motivations behind the migrants' decision to move to receiving countries;
- 2) The role of the underground/informal economy in offering both nationals and non-nationals irregular jobs;
- 3) The characteristics of receiving countries as countries of destination;
- 4) The relevance of irregular jobs available to both nationals and non-nationals;

¹ Reyneri, "Immigration and the Underground Economy", "The mass legislation of migrants in Italy", "Illegal Immigration and the Underground Economy", and "Immigration in Italy".

² Reyneri, "Immigration and the Underground Economy".

³ Talani, "European Political Economy".

- 5) The identification of specific pull factors in receiving countries attracting both legal and illegal migrants;
- 6) The modalities of irregular migration to receiving countries
- 7) The existence of job competition between national and non-nationals for the same jobs;
- 8) The ethnification of illegal activities, meaning the existence of an over-representation of migrants in criminal activities;
- 9) The tendency of migrants to adopt deviant behaviour and the motivations behind it.⁴

Some of these aspects will be discussed in this article with respect to the case of Italy to draw conclusions on the impact of a thriving underground economy as one amongst other pull factors for irregular migration. Moreover, these phenomena will be addressed with an eye to the impact that the Eurozone crisis of 2010/11 has had on them.

The first section will try to quantify the dimensions of the Italian underground economy and to assess to what extent the recent events of the Eurozone have worsened the situation. In the following section, the focus will be on recent dynamics in Italian migration flows, to ascertain to what extent irregular migration is a relevant and growing phenomenon in Italy. The last section will deal with the relation between migration and the underground economy with reference to the research questions underlined above. In particular, the last section of this contribution elaborates on a) the inclusion of migrants in the regular and irregular labour markets, in order to verify the extent to which migrants pose a competitive threat for local workers; b) the role of migrant workers in the underground economy and of the underground economy as a pull factor for migration; c) the relationship between the insertion of mainly irregular migrants in the underground economy and both their deviant behaviour and their social exclusion; d) the impact of these phenomena on the Italian productive structure and e) the perception of migrants in the receiving society, as well as its reaction to them. Finally, conclusions will be drawn on the challenges and risks that both the underground economy and irregular migration present for the Italian economic structure.

Quantifying the underground economy in Italy

Estimates of the size of the underground economy in Italy

Quantifying the size of the Italian shadow or underground economy is not an easy task for the evident sensitivity of the issue. Despite this, in the Italian debate different figures are proposed. Before moving to the different estimates of the phenomenon, it is worth trying to define what it is meant in the literature by underground economy. Friedrich Schneider and Colin C. Williams report that the term “underground economy” usually refers to “currently unregistered economic activities that would contribute to the officially calculated gross national product if the activities were recorded”.⁵ According to Michael Smith,⁶ the shadow economy comprises “market-based production of goods and services, whether legal or illegal, that escapes detection

⁴ Reyneri, “Immigration and the Underground Economy”, 1.

⁵ Schneider and Williams, “The Shadow Economy”, 23.

⁶ Smith, “Can You Imagine? Transnational Migration”, 18.

in the official estimates of GDP”. So, broadly speaking, the terms “underground” and “shadow” economy can be used interchangeably. The table below provides for a more or less consensual list of activities usually included in the broadest definition of the underground (or shadow) economy.

Table 1: Taxonomy of types of underground economic activities

Table 1 **Taxonomy of types of underground economic activities**

<i>Type of activity</i>	<i>Monetary transactions</i>		<i>Non-monetary transactions</i>	
ILLEGAL ACTIVITIES	Trade in stolen goods; drug dealing and manufacturing; prostitution; gambling; smuggling; fraud; human trafficking, drug trafficking and weapon trafficking.		Barter of drugs, stolen goods, smuggling, etc.; producing or growing drugs for own use; theft.	
	<i>Tax evasion</i>	<i>Tax avoidance</i>	<i>Tax evasion</i>	<i>Tax avoidance</i>
LEGAL ACTIVITIES	Unreported income from self-employment; wages, salaries and assets from unreported work related to legal services and goods	Employee discounts; fringe benefits	Barter of legal services and goods	All do-it-yourself work and neighbour help

Source: Schneider and Williams, “The Shadow Economy”, 23.

However, for the sake of clarity, and following Schneider and Williams (2013), in this article we will distinguish between the underground economy, understood as fitting the broad definition above, and the shadow economy, which excludes illegal or criminal activities. According to the conceptualisation of Schneider and Williams, as Andreas Böhn *et al.*,⁷ the term ‘shadow economy’ has a narrower meaning than ‘underground economy’: “The shadow economy (...) includes all market-based production of legal goods and services that are deliberately concealed from public authorities.”⁸

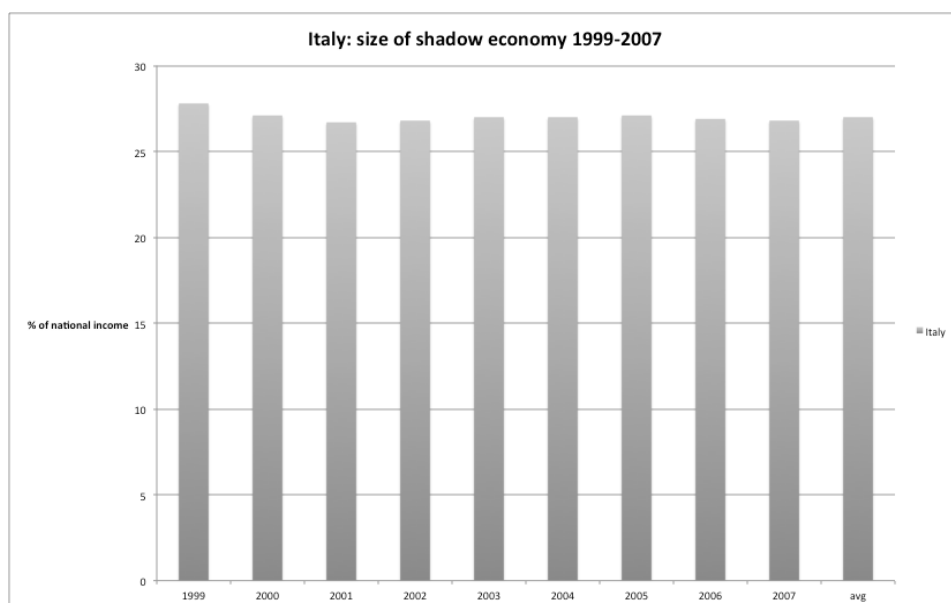
Moving to the quantification of the phenomenon in Italy, Andreas Böhn, *et al.* consider the size of the shadow economy, which does *not* include illegal and criminal activities, to have represented around 27 percent of yearly national income on average between 1999 and 2007.⁹

⁷ Schneider and Williams, “The Shadow Economy”, 25; similarly Böhn, *et al.*, “New estimates for shadow economies”, 444.

⁸ Schneider and Williams, *Ibid.*

⁹ Böhn *et al.*, “New estimates for shadow economies”, 443–61.

Figure 1: Italy: Size of the shadow economy 1999-2007



Source: Source: Bühn *et al.*, “New estimates for shadow economies”, 455–61; author’s elaboration.

Eurispes, a private but reputable Italian research institute,¹⁰ has traditionally estimated the dimension of the Italian underground economy to be very substantial. In its 2016 report on Italy, Eurispes noted that the Italian official GDP of around 1,500 bn euros would need be raised by around one third again to account for a shadow economy GDP estimated at 540 bn euros. However, this does not include another 200 bn euros produced by criminal activities, increasing from the 175 bn euros estimated in 2008. Thus, overall the underground economy would amount to half of the national income, that is 740 bn euros, at a cost to the Italian state of some 370 bn euros lost through tax evasion, based on a current tax rate of around 50 percent. In its conclusion, indeed, the research institute talks about tax evasion and the underground economy as a “mass phenomenon” in Italy.

In such a context, irregular labour is thriving. It can, however, take various forms and it is therefore difficult to quantify. Irregular work can encompass extra jobs outside or even during regular working hours. It may be performed by people who are simply outside the official labour markets or by people not allowed to work in official labour markets, such as irregular immigrants.

Moreover, shadow economy work can be full time, part-time, self-employed without paying taxes, or any work done without contract when a contract is required, from child-minding to bar tending.¹¹ According to Eurispes, the categories of workers most frequently employed irregularly are child minders and baby sitters (80%); tutors and educators (78.7%); private household workers (72.5% percent). These are followed by care-givers, gardeners, builders, plumbers, electricians, wood workers and others. In Italy, even medical doctors have an estimated percentage of irregularity of around

¹⁰ <http://www.eurispes.eu/content/listituto-di-ricerca-degli-italiani>.

¹¹ Schneider and Williams, “The Shadow Economy”, Chapter 2.

50 percent. Moreover, after the adoption of the Jobs Act in December 2014,¹² the situation, instead of improving, worsened. According to Eurispes, 28.1 percent of the people they interviewed in 2015 admitted to having accepted an irregular job, as compared to only 18.6 percent the previous year.

Recent changes in measurement of the underground/shadow economy may lead to the wrong perception of a declining phenomenon.¹³ As Schneider and Williams note,¹⁴ because the size of the shadow economy increased in recent years in terms of value added, this prompted a number of countries to adjust their national accounts so as to include the shadow and, in the Italian case from 2014, also some segments of the illegal economy. In the case of Italy, Schneider and Williams refer that the adjustment made to the official accounts was between 14.8 and 16.7 percent of national income, and this *before* incorporating the value added of illegal activities, such as drug dealing, prostitution and smuggling, into the official numbers.¹⁵ This, in turn, means, that the estimates of the shadow and underground economy have decreased by more or less the same percentage, without, however meaning that they have actually diminished; quite the contrary!

The incorporation of the ‘Non Observed Economy (NOE)’¹⁶ into national accounts is actually supported by the Organisation for Economic Cooperation and Development (OECD), which suggested seven activities that would allow for proper adjustments to be made to national accounts. These are detailed in the box below and represent a guideline for national governments.

Table 2: Underground economic activities to be incorporated in official national accounts

¹² In December 2014, the Jobs Act was enacted, eliminating art. 18 of the Statute of Workers of 1975 and allowing labour market protection for unfair dismissal in the private sector only in case of discrimination over race, gender, political and ideological grounds. In all other instances, even if a Court declares the dismissal unfair, workers do not have the right to be integrated in their previous job (although they should receive financial compensation).

¹³ Furthermore, since the Italian Institute of Statistics (ISTAT) is a government institution, its estimates are generally more conservative. See <http://www.istat.it/it/archivio/175791>

¹⁴ Schneider and Williams, “The Shadow Economy”, 144.

¹⁵ *Ibid.* See also OECD, “Towards a better understanding of the informal economy”.

¹⁶ See ISTAT, “L’Economia non osservata”.

1. Not registered

- Producer deliberately not registering – underground (N1): Producer deliberately does not register to avoid tax and social security obligations.
- Producers deliberately not registering – illegal (N2): Producer deliberately does not register as a legal entity or as an entrepreneur because it is involved in illegal activities. Type N2 excludes illegal activities by registered legal entities or entrepreneurs that report (or misreport) their activities under legal activity codes.
- Producers not required to register (N3): Producer is not required to register because it has no market output (e.g. non-market household producers that engage in production of goods for own consumption, for own fixed capital formation, and construction of and repairs to dwellings).

2. Not surveyed

- Legal persons not surveyed (N4): Legal persons not surveyed due to reasons such as: the business register is out of date or updating procedures are inadequate; the classification data (activity, size or geographic codes) are incorrect; the legal person is excluded from the survey because its size is below a certain threshold etc.
- Registered entrepreneurs not surveyed (N5): Registered entrepreneurs may not be surveyed due to: the statistical office does not conduct a survey of registered entrepreneurs; the registered entrepreneur is not in the list of firms available to the statistical office, or is systematically excluded from it; the registered entrepreneur is not in the survey because the classification data (activity code, size code, geographic code) are incorrect.

3. Misreporting

- Producers deliberately misreporting (N6): Gross output is under-reported and/or intermediate consumption is overstated, in order to evade income tax, value added tax (VAT), other taxes, or social security contributions.

4. Other

- Other statistical deficiencies (N7): Includes data that are incomplete, not collected or not directly collectable, and data that are incorrectly handled, processed or compiled by statisticians.

Source: OECD, “Better Understanding the Informal Economy”, 14.

Thus, if until the new measurement system was introduced in 2010, the value added of the whole underground economy in Italy (as estimated by ISTAT) had always been around 20 percent of GDP, in 2013, the value added of the shadow economy was estimated to be around 190 bn euros, equivalent to 11.9 percent of GDP. This was an increase from 11.7 percent in 2012 and 11.4 percent in 2011. To this has to be added the value added of illegal activities, which in 2013 was estimated to be around 16 bn

euros, that is 1 percent of GDP, also up from previous years. Overall, in 2013, the total amount of the non-observed economy in the national accounts was estimated to be equivalent to 206 bn euros, that is 12.9 percent of Italy's GDP. It must be noted that this is only what ISTAT included as an estimate of the NOE in national accounts, and by no means comprises all of the Italian underground economy.

Composition of the underground economy

In terms of composition, in 2013, 47.9 percent of the value added of the underground economy derived from undeclared economic activity. The rest was made up of the value added of irregular work (34.7%), by other components such as undeclared rents, tips and sales (9.4%) and by straightforward illegal activities (8%).¹⁷ In some sectors the shadow economy is more established than in others. According to ISTAT, in 2013, the shadow economy accounted for 32.9 percent of 'other activities and services'; 26.2 percent of trade, transport, hotels and catering; 23.4 percent of the construction sector. The weight of non-declared value added for each sector was particularly high in professional services, with a share of 17.5 percent in 2013. In building and construction this was 14.2 percent and in trade, transport, hotels and catering 13.9 percent. Within the industrial sector, the share of undeclared value added was higher in food processing and manufacturing of consumption goods (8.3 percent) and less relevant for investment goods (2.7 percent).

There is no doubt that the global financial crisis represented a substantial blow to the global economy, leading to wide-ranging and long-lasting consequences. This is true also for the case of Italy.

In the literature there is a tendency to distinguish five stages in the unfolding of the global financial crisis.¹⁸ If the first stage is clearly represented by the collapse of the US subprime mortgage market, this was followed by a credit crunch leading to a liquidity crisis. The subsequent phase was a commodity price bubble and finally the demise of investment banking in the US.¹⁹

Although the bailing out of financial institutions by national governments all over the globe did avoid a global financial meltdown, by that time the global financial crisis had already provoked a global economic crisis.²⁰ Just two years after the collapse of Lehman Brothers, the global economy had experienced its sharpest ever decline of GDP, going from 5.2 per cent to -0.8 per cent.²¹ This was particularly serious in the Euro-zone, where the GDP fell by an unprecedented 9%, from 3.8% in 2007 to -5.2% in 2009, with Ireland being the first Euro-zone country to technically enter into recession in September 2008. Also Italy went into recession already in 2008, when it lost 1.2% of GDP, while in 2009 it lost a substantial 5.1% of GDP²². Finally, the Euro-area also experienced a sovereign debt crisis starting in Greece, in May 2010, moving to Ireland at the end of November 2010, and eventually to the other members of the so-called PIIGS group (including Portugal, Ireland, Italy, Greece and Spain).

The economic crisis immediately following the global financial crisis of 2007/2008 seems to have increased the size of the Italian underground economy. Already in 2008 the ratio of the underground economy to GDP had increased with

¹⁷ All statistics from this and the following page are from <http://www.istat.it/it/archivio/175791>.

¹⁸ Orlowski, "Stages of the 2007/2008 Global Financial Crisis: Is There a Wandering Asset-Price Bubble?".

¹⁹ *Ibid.*

²⁰ Talani, "The Global Crash"

²¹ Sinn, "Casino Capitalism", 6

²² *Ibid.*

respect to 2007. This is particularly evident by looking at the trends of irregular work. In 2008, the rate of irregular work, measured as ‘standard units’ (*unità lavorative annue* - ULA) of full time equivalent employment, was 11.8 percent of total employment, that is 2.9 million ULA over 24.9 million. However, after 2010 the loss of employment was concentrated in the regular labour market, while the irregular ULA remained stable at 2.9 million. This means an increase in the rate of irregularity of half a point, to 12.3 percent.

Developments after the 2010/2011 Eurozone crisis years

In the years following the 2010/2011 Eurozone crisis the numbers relating to the rate of irregular work (measured in ULA as above) kept on increasing, reaching quota 3.5 million irregular ULA in 2013. This represented around 15 percent of the labour force with an increase of 0.5 percent from 2011. Most irregular workers were employees (2.4 million ULAs).

The dimensions and dynamics of irregular work are influenced not only by the economic business cycle, but also by the legislative context and by the regularisation of irregular migrant workers from third countries. The regular component of work collapsed in the period between 2011 and 2013, the years of the Euro-zone crisis and immediately following it, to the levels of 2000 and 2001: regular ULA moved from 20.6 million in 2011 to 19.8 million in 2013, representing a total fall of 4.3 percent. At the same time, the irregularity rate increased, raising the incidence of irregular ULA over total ULA from 14.5 percent in 2011 to 15 percent in 2013. For employees, the irregularity rate went from 14.8 percent in 2011 to 15.2 percent in 2013. In the case of self-employment, the rate went from 13.9 percent to 14.5 percent.

The highest irregularity rate was registered in the sector of personal and domestic services (45 percent in 2013). However very high rates of irregularity were also identified by ISTAT in the agricultural sector (17.6%), commercial activities such as transport, hotels and catering (15.6%) and construction (15.4%). As for the value added deriving from irregular work, this turned out to be especially high in the sector of ‘other personal services’ (32.9% in 2013), trade, transport, hotels and catering (26.2% in 2013) and construction (23.4%). No significant variation was reported with respect to previous years.

The clearest way to assess the extent to which the underground economy has been vital for the survival of the Italian economy, especially after the Eurozone crisis, is to look at the contribution of the underground economy to the value added as compared to the regular economy, sector by sector.

In 2012, the growth of the underground economy counterbalanced in a significant way the negative patterns of total value added in some sectors. In food processing and manufacturing of consumption goods, the underground economy contributed positively to the total value added by 1.2 percent, while the regular economy lost 5.9 percent of value added. In the production of investment goods, the values are respectively +1 percent for the underground, and -4.5 percent for the regular economy. In professional services, the underground economy increased its value added by 1.7 percent, while the regular economy decreased by 3.1 percent. In the sectors of agriculture and fishery and in the production of intermediate goods, the increase to the total value added due to irregular activities added to the increase coming from regular ones (ISTAT 2015).

In the following year, the contribution to the value added by the underground economy compensated the loss of the regular economy in trade, transport, hotels and catering. It also contributed positively by 1.1 percent to the growth of the value added

in agriculture (total +5.9%), while it was modest (0.1%) and could not compensate the total loss in construction (total -4.8%).

The size of the underground economy may also be inferred through an examination of the percentage of irregular immigrants in the labour market. The OECD publishes estimates of illegally employed migrants for Italy, which is a sizable phenomenon: illegal migrants are estimated to account for 2 percent of total employment, with higher figures recorded only in Greece and the US.²³

However, before exploring the relationship between the underground economy and irregular migration in Italy, it is worth taking a look at the recent migratory dynamics in the country.

Italy and migration: recent dynamics

Italian migratory dynamics have seen important changes recently, creating a scenario that is very much influenced by the crisis of the Eurozone. Such a scenario is characterised by the following elements:²⁴

- A sizable increase of irregular migratory flows
- A significant decrease of regular non EU-workers
- The consolidation of family reunification
- The increase of Italian emigration
- The relevant presence of neo-EU citizens
- The importance of internal migrations

Starting from the first element, while the central Mediterranean route for irregular migration has long been an established one,²⁵ what is new nowadays is the increase in the number of migrants choosing it. In 2014, this amounted to 170,000, a figure that represents a record even with respect to the numbers of 2011, when the country was the destination for outflows of Tunisians following the Arab Spring.²⁶ The explanation for the upsurge has to do with the chaos created by the Libyan civil war, which increased the smuggling of migrants through the Libyan route to reach Italian territory mostly due to the elimination of any controls in Libya.

The central Mediterranean route remained very important in 2015, despite the fact that there was a drop of around 10 percent in the total number of migrants arriving in Italy to 154,000.²⁷ This was the case as, given the dangers involved in pursuing this route, most Syrian refugees, together with Iraqis and Afghans, preferred the Aegean Islands' route, moving to the Balkans to enter the EU through Hungary. The UNHCR reports a figure of 450,000 migrants choosing the Balkan route from 1 January to 9 October 2015, which prompted the harsh reaction of the Hungarian government not only to close the border but also to erect a wall to stop refugees from entering its territory.²⁸ The unsustainability of the Balkan route led to an agreement with Turkey at the end of 2015, that cost the EU 6 bn euros overall, to effectively stop refugees from

²³ OECD, "Towards a better understanding", 42.

²⁴ ISMU, "Ventunesimo Rapporto sulle migrazioni".

²⁵ Frontex, "The central Mediterranean route".

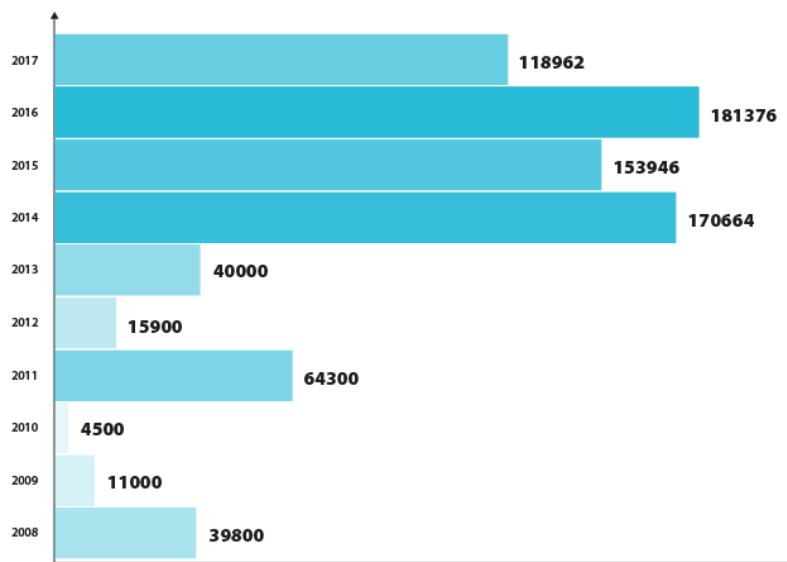
²⁶ Talani and McMahon, "Handbook of Political Economy of Migration".

²⁷ Frontex, "The central Mediterranean route".

²⁸ See <http://www.express.co.uk/news/world/648269/Hungary-plan-fence-border-Romania-migrants-refugees-crisis-Viktor-Orban-Schengen>

being able to cross the Greek border and apply for asylum in Greece in line with the terms of the Dublin convention.²⁹ Economic migrants should, in turn, be deported back to Turkey. The impact of a similar arrangement on the Italian route was substantial, with an increase in irregular migrants reaching Italian shores in 2016 to more than 181,000.³⁰

Figure 2: Number of illegal migrants using the central Mediterranean route - 2008-17



Source: <http://frontex.europa.eu/trends-and-routes/central-mediterranean-route/>.

This prompted the reaction of the Italian government; the then Interior Minister Marco Minniti struck a deal with the Libyan government in Tripoli to limit the number of illegal migrants leaving its shores.³¹ As a consequence, in 2017 the number of arrivals fell to the still very sizable number of 119,000.

Another characteristic of the current migratory patterns in Italy is the reduction in the number of third country nationals (TCNs) entering the country legally as workers. In 2010, 360,000 non-EU citizens entered Italy with a working permit. Three years later, with a drop of 76 percent, only 85,000 migrants entered the country legally to work. This variation can be explained primarily by the long-term effects of the economic crisis, as Italy is no longer an attractive destination for regular workers. Indeed, the Italian labour market does not need more unskilled workers; the already weak demand is more than satisfied by the migrants, both regular and irregular, already present on Italian territory. This scenario induced the Italian government to reduce substantially the number of migrants to be allowed to enter under its quota system (the decreti flussi [flow decree]), the priority way for third country regular workers to enter Italy.³² In 2017, for example, the number of working permits allowed under the ‘decreto

²⁹ See EU website http://europa.eu/rapid/press-release_MEMO-16-963_en.htm

³⁰ Frontex, “The central Mediterranean route”.

³¹ For the text of the agreement, see http://www.repubblica.it/esteri/2017/02/02/news/migranti_accordo_italia-libia_ecco_cosa_contiene_in_memorandum-157464439/.

³² ISMU “Ventunesimo Rapporto sulle migrazioni”, 10.

flussi' was only 30,000.³³ In a nutshell, regular migration of low-skilled labour is progressively being substituted in Italy with irregular migration working, by definition, in the underground economy.

Countering the reduction of legal arrivals for the purpose of work, it is worth signalling a third relevant characteristic of the current Italian migratory dynamic, which is the increase in legal arrivals for family reunification. Data from the Interior Ministry on 31 July 2015 revealed that from a stock of regular migrants of just over 4 million, around 30 percent had migrated for family reunification, that is 1,205,412 persons. In contrast, 1,410,178 were employees and 241,620 were self-employed. This reveals a stabilisation of the migrant communities in Italy and may pose new challenges in terms of integration.³⁴

More striking, however, is a new tendency of Italian migratory dynamics which is the direct consequence of the economic crisis: the increase of emigration from Italy, of both Italians and foreigners.³⁵ The number of Italians resident abroad is growing: from 2006 to 2017, Italian mobility increased by 60.1 percent. From a few more than 3 million Italians registered with AIRE (*Anagrafe italiana residenti estero*) in 2006, the figure grew to almost 5 million in 2017 – 8.2 percent of the 60.5 million Italian citizens.

In 2016 alone, 124,076 Italians registered with AIRE (16,547 more than the previous year), with no substantial gender differences (55.5 percent males, 44.5 percent females). This is actually more than the number of irregular migrants entering Italy in 2017 (118,962). In 2009, the expats were 37,129, in 2014 they were 73,415 and, in 2015, 84,560. Of the almost 125,000 Italians emigrating in 2016, 24,771 went to the UK, despite the uncertainties relating to Brexit about their status, benefits, and health and care provisions. Other popular destinations were Germany (19,178 arrivals) and Switzerland (11,759), followed by France (11,108), Brazil (6,829) and the United States (5,939). In 2016, Italians also emigrated to Spain, although the number of departures was falling (67,738 against 75,765 in 2015) (Migrantes 2017). Eurostat (2017) data show that in the period between 2010 and 2015 only Croatia, Hungary and Slovenia had a higher rate of emigration in the EU. Of the Italians who decide to go abroad, such as engineers and researchers, but also waiters and bar tenders, 62.4 percent are unmarried and 31.4 percent are married. More than 39 percent of those who left in 2016 were between 18 and 34 years old (+233 percent with respect to 2015); 25 percent were between 35 and 49 years old (+12.5 percent). Lombardy, (23,000 departures), Veneto (11,611), Sicily (11,501), Lazio (11,114) and Piedmont (9,022) were the regions with most departures.

The fifth characteristic of the current migratory situation in Italy is the increase in the number of new EU citizens, in particular Romanians. On 3 December 2014, there were 1,131,839 Romanian citizens registered on Italian territory, an increase of 36 percent with respect to 2011. This makes Romanians the biggest foreign community in Italy, representing one fifth of all foreign residents. The three new accession countries of Romania, Bulgaria and Poland represent 26 percent of all foreigners resident in Italy. To these must be added the migrants coming from those countries that no longer need an entry visa, such as Albania, Montenegro, Serbia, Moldavia and Bosnia Herzegovina. All this favours some sort of circular migration from those countries, with migrants coming to work for some time in Italy and leaving thereafter.

³³ <https://portaleimmigrazione.eu/decreto-flussi-2017/>

³⁴ <http://www.interno.gov.it/it/temi/immigrazione-e-asilo/modalita-dingresso>.

³⁵ ISMU, "Ventunesimo Rapporto sulle migrazioni", 11.

Finally, the last characteristic of the Italian migratory dynamic is internal migration. According to the 2015 SVIMEZ report ³⁶on the economy of Southern Italy, between 2011 and 2014 more than 1.6 million people moved from the south to the centre and north of the country, while only 923,000 moved back to the south. Internal migration mainly involves young people (70%) and skilled labour (40% have a university degree).

The panorama described above shows how Italian migratory dynamics are a complex phenomenon, made even more complex by the various legal implications and regimes relating to the migratory process. What is of particular interest here is to analyse the porousness between the status of regular and irregular migrant which can change many times during the migration experience. To this end, ISMU has identified ten categories of migrants according to their legal status, which can, however, as already underlined, change over time.³⁷

The tables below detail the categories and number of migrants included in each of them for the 2010-14 period.

Table 3: Forced migration

YEAR	1. Asylum seekers	1.a Dublin Convention transfer requests to Italy	2. Obtained International Protection (% of requests)	2.a Refugees	2.b Obtained subsidiary protection	2.c Obtained Humanitarian protection	3. Rejected protection requests (% of requests)
2010	12,121	9,673	7,558 (53.8%)	2,094	1,789	3,675	5,212 (37.2%)
2011	37,350	13,715	10,288 (40.1%)	2,057	2,569	5,662	13,470 (52.6%)
2012	17,352	17,631	22,031 (73.5%)	2,048	4,497	15,489	6,455 (21.5%)
2013	26,620	22,700	14,392 (60.9%)	3,078	5,564	5,750	9,175 (38.8%)
2014	63,456	NA	22,013 (60.7%)	3,641	8,338	10,034	14,217 (39%)

Source: ISMU 2016:306-310

Table 4: Voluntary migration

YEAR	4. Non-EU Workers	4.a Seasonal workers	5. Non EU students	6. Long-term residents	7. Unaccompanied minors	8. Family re-unification	9. EU migrants
2010	358,870	22,411	NA	NA	NA	178,797	NA
2011	124,544	15,426	31,295	1,638,734	NA	140,846	1,211,755
2012	70,892	9,950	31,005	1,896,223	7,575	116,891	1,240,157
2013	84,540	7,587	27,321	2,045,662	8,461	105,540	1,441,706
2014	NA	NA	NA	2,179,607	10,536	NA	1,491,863
2015 (to 31 Sept 2015)	NA	NA	NA	NA	8,944	NA	NA

Source: ISMU 2016:310-318

Table 5: Irregular Migration

YEAR	10. Estimated irregular migrants
2009	422,000
2010	454,000
2011	443,000

³⁶ SVIMEZ report, 2015

³⁷ ISMU 2016: 306

2012	326,000
2013	294,000
2014	350,000
2015	404,000

Source: ISMU 2016:319

Of these categories, the one that includes the highest number of migrants, apart from the categories of long-term residents and EU citizens, is that of irregular migrants. They are defined as non-EU citizens living in the territory of an EU member state without satisfying the legal conditions for residence (ISMU 2016:319).

Below we analyse the implications of irregular migration for receiving societies as well as the relationship between irregular migration and the underground economy.

The relation between irregular migration and the underground economy and its implications for receiving societies

Based on statistical data and on the insights of ISMU reports,³⁸ a few conclusions can be drawn for the case of Italy with respect to some important aspects of the relation between the underground economy and irregular migration as underlined in the relevant literature.³⁹ As mentioned in the introduction, we are interested in a) the inclusion of migrants in the regular and irregular labour markets, in order to verify the extent to which migrants pose a competitive threat for local workers; b) the role of migrant workers in the underground economy and of the underground economy as a pull factor for migration; c) the relationship between the insertion of mainly irregular migrants in the underground economy and both their deviant behaviour and their social exclusion; d) the impact of these phenomena on the Italian productive structure and e) finally the perception of migrants in the receiving society, as well as its reaction to them.

The inclusion of migrants in the regular and irregular labour markets

With respect to these issues, it is worth noticing that during the years of the global financial crisis and the crisis of the Eurozone, the number of migrants that were active in the Italian labour market increased dramatically.⁴⁰ Looking at the manufacturing sector, for example, migrants, employed both regularly and irregularly, have had a very relevant role in the generational turn-over of the labour force. They allowed for the survival of a number of companies which had lost competitiveness because of the lower level of skills and related inferior costs of the migrant workers. This can contribute to explaining why, in the years immediately before the crisis, the Italian manufacturing sector saw a higher increase in value added than the service sector, which requires more skilled personnel.⁴¹ The reason is that, as further elaborated below, migrants, both regular and irregular, usually have a lower level of skills and education than Italian workers.

From this point of view, there was no competition between the Italian work force and the migrant one. However, these dynamics did accentuate one of the most

³⁸ ISMU, “Ventunesimo Rapporto sulle migrazioni”.

³⁹ Reyneri, “Immigration and the Underground Economy”, “The mass legislation of migrants in Italy”, “Illegal Immigration and the Underground Economy”, and “Immigration in Italy”.

⁴⁰ Zanfrini, “Il Lavoro”, 103-19.

⁴¹ De Arcangelis et al., *Migration, Labor Tasks and Production structure*.

detrimental characteristics of the Italian productive model, namely the substantial demand for low-skilled labour.

Looking at the figures relating to the educational level attained by immigrants in comparison with the local population, it is evident that, even though the educational level of the Italian working force is not particularly high, certainly not in comparison with other EU and OECD countries, the educational level of the migrant population is even lower. Indeed, Italian immigrant distribution per level of education shows that the share of immigrants with low education is more than 11 percent higher than that of the local population in 2015, up from 7 percent higher in 2010.⁴²

In contrast, Italy fails to attract highly educated migrants (-10 percent than local population in 2015, while it was only -5 percent in 2010).⁴³ This dynamic inhibits improvements in terms of innovation and competitiveness,⁴⁴ which are crucial factors for competing in the global political economy over the medium and long term.

Although irregular migrant employment, as we have seen above, does exist in the Italian manufacturing sector, (unlike in the manufacturing sectors of the other southern European countries),⁴⁵ it is in the personal and domestic service sector where irregular migrant workers are most commonly employed.⁴⁶ This is also one of the sectors where the economic crisis has had the most impact, meaning that has increased the number of irregular migrants workers, due to the growing difficulties faced by Italian families and the related need for them to rely on low-cost solutions for their domestic and personal services.⁴⁷ However, at the same time, it is also interesting to notice an increasing number of Italians being employed, regularly and irregularly, in these domestic support roles. This testifies to the increasingly dire situation of the Italian economy.

In the agricultural sector, during the economic crisis migrants came to constitute more than 14 percent of the total work force. This is three times the level that they occupied before the crisis. Furthermore, although it is true that a small number of native workers have since moved to the agricultural sector, it is very likely that the number of immigrants employed in it will continue to be substantial. The estimates of Unioncamere put the percentage of immigrants required in the sector at between 23 percent and 32 percent of permanent workers. However, it is in seasonal activities that migrants are mostly required, with an estimate of 300,000 considered necessary during 2014. It is worth underlining that, especially in southern Italy, where migrant labour is mostly involved in picking fruit and other agricultural products (49 percent of total), they are overwhelmingly employed irregularly and their working conditions are far below the norm and the threshold of acceptability.⁴⁸ This, in itself, is a guarantee that competition with the local working force is limited.⁴⁹

Moreover, these poor working conditions can often be coupled with the activities of organised crime. This is the case not only in the employment of irregular workers, but also in the smuggling and trafficking of irregular migrants. It surely exacerbates the problems of coexistence within interethnic communities.

As far as independent employment is concerned, it was only thanks to ethnic entrepreneurs that Italy's entrepreneurial communities could grow during the crisis

⁴² OECD, "International Migration Outlook 2014" and "Statistics".

⁴³ *Ibidem*.

⁴⁴ Zanfrini, "Il Lavoro", 103.

⁴⁵ Reyneri, "Illegal Immigration and Underground Economy".

⁴⁶ Zanfrini, "Il Lavoro", 104.

⁴⁷ *Ibid.*

⁴⁸ *Ibid.*, 106.

⁴⁹ Zanfrini, "Tra cibo e Terra", 329-58.

years. In 2014, the number of companies with at least one owner born outside the EU reached 335,452. This trend reinforced one of the most detrimental characteristics of the Italian productive system, which keeps companies at a small, even micro-level with lowers costs but also profits and skills. Indeed, 8 out of 10 companies owned by migrants are individual ones, benefitting from low access barriers for sectors with problems in generational turn-over.⁵⁰ For these reasons, again, competition with local workers is not an issue, although the lack of a strong entrepreneurial culture among migrant communities and the low-cost/low-skill model of their individual companies constitute a real problem for the future (and present) competitiveness of the country.

Summing up, the insertion of third country nationals in the Italian labour market does not seem to have brought about competition with the native working force. However, it has reinforced the most embedded tendencies of the Italian labour market, in particular, the dualism between the North and the South of the country and porousness between the formal and the underground economy.

With respect to the north/south divide, foreign born workers in northern regions face similar labour conditions as the native population, as the majority of regular migrants (two-thirds) are employed in Emilia Romagna, Tuscany and Lombardy. In the south, on the contrary, foreign-born workers, both regular and irregular, both EU citizens and third country nationals, are almost all invariably employed in the underground economy, especially in the agricultural sector.

This does not mean, however, that irregular work exists only in the south of Italy. Everywhere in Italy immigrant workers are employed irregularly, thus degrading the life and working experience of the migrants. Thus, the modalities of inclusion of immigrants in the Italian labour markets do not seem to pose a competitive threat to the local labour force but do seem to exacerbate a pattern of discrimination, exclusion and marginalisation of foreign communities. Moreover, they make the problems of the Italian labour markets and productive structure more ingrained and difficult to eradicate.⁵¹

The underground economy as a pull factor for migration

A number of studies show the importance of the underground economy in defining the dynamics of migratory flows to southern European countries.⁵² As we have seen above, a very high number of foreign-born workers are employed in the underground economy in Italy. However, by no means has the informal economy in the country been created by migrants.⁵³ Instead, the opposite is true. Research demonstrates that it is precisely because the underground economy provides a wealth of employment opportunities that there is a strong incentive for migrants to access southern European countries, especially Italy, despite the difficulties in gaining regular migration status.⁵⁴

As a consequence, it can be claimed that there is a vicious circle between irregular entry and permanence in a country, and employment in the irregular labour

⁵⁰ Zanfrini, "Il Lavoro", 105.

⁵¹ De Arcangelis *et al.*, "Migration, Labor Tasks and Production structure".

⁵² Baldwin-Edwards and Arango, "Immigrants and informal economy". See also Reyneri, "Mass legalisation of migrants", 84.

⁵³ See Reyneri, *Ibid.*

⁵⁴ Reyneri, "Immigration and Underground Economy", 21; Kosic and Triandafyllidou, "Albanian and Polish Migration to Italy"; Baldwin-Edwards and Arango, "Immigrants and informal economy".

market.⁵⁵ With reference to Italy, it is widely recognised that the overwhelming majority of labour immigrants enter Italy without a valid working permit and outside the quota system.⁵⁶ Various regularisation schemes have allowed irregular migrant workers to regularise their status with almost 1,500,000 migrants having applied during the five regularisations between 1986 and 2002.⁵⁷ However, in 2004, two-thirds of documented immigrants were estimated to have spent some period of time as unauthorised residents.⁵⁸ And despite the periodic regularisation drives, figures show that just a few years later the pool of irregular workers has grown again, mainly due to more entries.⁵⁹

The modalities of entry into the country in turn, are very complicated (Talani 2015). Lacking a valid working permit, entry can be clandestine, with or without the help of organised crime, or it can be legal, with a tourist or a student visa. These visas, however, usually have a very short time limit and do not entitle the holder to work in the destination country. Thus, people overstaying may look for a job after entry, but their status would not be regular. Finally, entry is allowed for family re-unification purposes, as seen above. So, gaining regular residence status in Italy is very difficult. What is most important to stress, though, is that unauthorised residence and irregular work very often go together.⁶⁰

The size of the underground economy acts as a catalyst promoting unauthorised immigration. The mechanism enabling this to happen has been detailed clearly in the literature.⁶¹ If the modalities of entry into a country which has adopted strict migration policies require the acceptance of very high costs and risks, migrants who generally want to improve their living standards will be more likely to choose countries offering more opportunities to employ them despite their irregular residence status. This means that unauthorised migrants are more likely to choose countries which can offer them easy access to the irregular labour market, as they would not be allowed to enter the formal market in any case. Consequently, the bigger the irregular labour market and the stronger the underground economy, the higher the incentives for an undocumented migrant to enter the country. Various studies report that Italy has been widely perceived by migrants as a place where it is easy to find a job even without a proper permit.⁶² Some migrants even declared they were more motivated to enter Italy instead of, for example, Greece, because the amount of money to be earned in the Italian underground economy was higher and it was easier to become involved in it.⁶³ Even though the conditions of migrant workers, especially those employed in informal agricultural work in the Italian south, live well below the standards of decency and acceptability, and sometimes even physical safety, this does not seem to dissuade migrants from moving to Italy. Evidence gathered through interviews has underlined how migrants finding themselves living in dire conditions in the host country rarely consider the option of returning to their home countries. Moreover, they often seemed convinced that their

⁵⁵ Reyneri, *Ibid.*, 20-2.

⁵⁶ Reyneri, "Immigration in Italy".

⁵⁷ See also Reyneri, "Mass legalisation of migrants", 88.

⁵⁸ Blangiardo, "I processi di immigrazione".

⁵⁹ Reyneri, "Mass legalisation of migrants".

⁶⁰ See also Zincone, "Illegality, enlightenment and ambiguity", 43-83.

⁶¹ Reyneri, "Immigration and Underground Economy"; "The mass legalisation of migrants"; "Illegal Immigration and Underground Economy"; and "Immigration in Italy".

⁶² Reyneri, "Immigration and Underground Economy"; Kasic and Triandafyllidou, "Albanian and Polish Migration".

⁶³ See Reyneri, "Immigration and Underground Economy", 24.

negative experience would hardly make their friends and relatives back home change their mind about migrating themselves.⁶⁴ The migration process is a self-fulfilling one; migration leads to more migration regardless of whether the migratory process was successful or not and whether returning migrants communicate their experience to their peers. This is consistent with theories of migration as a social process.⁶⁵ According to this theoretical approach, in the first phase of the migration process, the *Homo Oeconomicus* phase, the immigrant is not interested in his/her standard of living in the host country because their stay is viewed as temporary and mainly aimed at achieving economic advantages. Moreover, the *Homo Oeconomicus* is very unlikely to go back to the home country without money if their migration experience results in failure. These conditions make it more likely for the migrants to accept being involved in illicit, if not even illegal, activities in the host country. Doing so would allow them to prolong their stay in the country despite having to face uncomfortable or dangerous situations.

These factors support the idea that the underground economy is a pull factor for irregular migration to the EU, especially in the context of the strict limits on migration from third countries within the framework of ‘Fortress Europe’⁶⁶. In a nutshell, readily available employment in the underground economy, where no documents are required, promotes undocumented immigration.⁶⁷ There is a feedback loop between the underground economy and irregular migration: without the first, the second would hardly be possible or, at least, it would be much smaller.

This conclusion is further strengthened by the evidence that the majority of the migrants do not come from the poorest countries, but from those with an intermediate level of development and have therefore enough information and resources to go looking for a better life abroad.⁶⁸ This means that, more than finding a way to survive, they are looking for better living standards, closer to the idea of the West portrayed by the media. That these expectations are not necessarily met, if ever, is beside the point. What counts is that the motivation to migrate is based on them⁶⁹.

The link between irregular migration, deviant behaviour and Italians’ attitudes toward migrants

Finally, the insertion of the vast majority of immigrants into the underground economy may have contributed to the negative attitude of Italians towards not only economic migrants but also asylum seekers and refugees. From a survey by ISPI-RaiNews, carried out by Ipsos, an alarming picture of the attitude of Italians *vis-à-vis* immigrants emerges:⁷⁰ 25 percent of the interviewees considered immigration the biggest threat for the country, even more than Islamic terrorism (21 percent).⁷¹ Regarding the value of migration for Italians, only 2 percent of the interviewees believed it to be positive, whereas a staggering 67 percent believed immigration to be a threat. Only less than 30 percent believed it was an inevitable phenomenon, which needs to be managed properly (Table 6).

⁶⁴ *Ibid.*

⁶⁵ Talani, “From Egypt to Europe”.

⁶⁶ Talani, “European Political Economy”.

⁶⁷ Reyneri, “Immigration and Underground Economy”, 21.

⁶⁸ See Rowlands, “Poverty and Environmental Degradation”.

⁶⁹ Talani, “From Egypt to Europe”.

⁷⁰ ISPI, RaiNews, Ipsos, “Gli italiani e le migrazioni”.

⁷¹ Valtolina, “Gli Italiani e l’Immigrazione”, 151.

Table 6: Immigration as a threat for Italy (% values)

	Percentage
Yes, it is a threat and it is connected to terrorism	38
Yes, it is a threat but it is not connected to terrorism	29
No, it is not a threat it is a positive thing	2
No, it is not a threat and it is inevitable	28
Don't know	3
Source: ISPI-RaiNews, "Gli italiani e le migrazioni".	

According to the Italians interviewed by the survey, the best way to deal with migration would be a strong intervention to repatriate migrants, even using the military (39%). A similar percentage considered it best to negotiate with transit countries to prevent migrants from entering Italy. It should be noted that only 16% of Italians considered it necessary to host refugees, although this attitude changed slightly after Pope Francis summoned each parish in Italy to host a family of refugees (Tables 7 and 8).

Table 7: The best way to address immigration

	Percentages
Military intervention	17
Repatriation	22
Negotiations with transit countries	39
Host refugees	16
Do not know	6
Source: ISPI-RaiNews, "Gli italiani e le migrazioni".	

Table 8: Assessment of Pope Francis' request for each parish to host a family of refugees

	Percentages
Very positive, this could be an example for the government	25
Positive, the Catholic Church cannot be indifferent	45
Negative, it is not the role of the Catholic Church	9
Very negative, it is instrumental and does not solve the problem	15
Do not know	6
Source: ISPI-RaiNews, "Gli italiani e le migrazioni".	

Another survey by Demos and Pi, of June 2015, confirmed that Italians were generally very worried about migration, especially in terms of security (42%). This percentage is the same as in 2007. Moreover, around 35 percent thought that immigrants were a threat for employment.⁷² Finally, a survey by SWG in April 2015 pointed out that the majority of Italians interviewed would like to see the flow of immigrants drastically reduced.

⁷² Ibid.,156.

Table 9: How should migrant flows be regulated in Italy?

	Percentages
Drastically reduced	57
Slightly reduced	18
Maintained as they are	10
Slightly increased	3
Drastically increased	2
Do not know	10

Source: Swg 2015

As the figures clearly demonstrate, Italians have had a constant attitude of mistrust with respect to immigrants, especially in terms of security, but also regarding their role in limiting the employment opportunities of local workers. Of course, entering the country irregularly as well as having to go underground to support their stay in the country can only hugely increase both their marginalisation from the host society and the emergence of a negative attitude towards them by local people.

The analysis by Reyneri traces back the reasons why this happens.⁷³ *In primis*, insertion in the underground economy makes the immigrants appear to be criminals and limits the possibility for them to be recognised as positively contributing to the general welfare of the host society. This is exacerbated by the fact that, due to being irregular workers, they do not pay taxes and social contributions, but they do have access to public goods such as schools, hospitals, or even water and streets. Furthermore, despite the fact that Italians share a general acceptance of irregular labour markets, particularly because they are themselves often employed in them, immigrants are highly stigmatised if they do the same. On the one hand, this is the case because in-group free riders are more tolerated than out-of-group free riders. On the other hand, there is the belief that migrants involved in the underground economy are more likely to become criminals.⁷⁴ But is this true? Do immigrants really adopt deviant behaviours more than the local population? Given that law 94 of 2 July 2009 made illegal migration a crime in itself, it is hard to compare statistics. However, careful analysis of how criminal statistics are constructed and the proceedings of police activities and penal trials, allows for a more nuanced understanding of the extent to which migrants are discriminated against.⁷⁵ The introduction of the new law on illegal migration caused a short circuit of securisation,⁷⁶ which made it more likely for the authorities to privilege repressive actions at the expense of support to migrants. In simple statistical terms, though, the jailed population has increased in general, but this is particularly true for foreigners. This gave rise to what is called in the literature a phenomenon of ‘ethnification’ of the jailed population, which conceals an ethnification of crimes.⁷⁷

The table below shows that foreigners represent 33.6 percent of the total jailed population in Italy, with some regions, such as Trentino Alto Adige, reaching more than 70 percent.

Table 10: Jailed population in Italy including foreigners, 30 April 2016

⁷³ Reyneri, “Immigration and Underground Economy”.

⁷⁴ *Ibid.*, 26.

⁷⁵ See Palidda *et al.*, “Les Conduites Deviantes”, 123-83.

⁷⁶ See Reyneri, “Immigration and Underground Economy”, 26.

⁷⁷ See Reyneri, “Immigration and Underground Economy”, 27.

	N. Institutes	Total Places	Total jailed	Women	Foreigners	% foreigners
ABRUZZO	8	1,587	1,717	74	225	13.1
BASILICATA	3	470	485	7	112	23.1
CALABRIA	12	2,657	2,554	55	449	17.6
CAMPANIA	15	6,106	6,755	344	843	12.5
EMILIA ROMAGNA	11	2.8	3,094	131	1,510	48.8
FRIULI VENEZIA GIULIA	5	484	631	13	240	38.0
LAZIO	14	5.26	5,889	381	2,639	44.8
LIGURIA	6	1,109	1,374	77	726	52.8
LOMBARDY	18	6,125	8,077	388	3,757	46.5
MARCHE	7	853	867	19	283	32.6
MOLISE	3	263	310	0	56	18.1
PIEDMONT	13	3,842	3,665	129	1,607	43.8
APULIA	11	2,358	3,103	141	437	14.1
SARDENIA	10	2,632	2,051	55	425	20.7
SICILY	23	5.9	5,789	117	1,237	21.4
TUSCANY	18	3,406	3,320	121	1,558	46.9
TRENTINO ALTO ADIGE	2	506	450	15	331	73.6
UMBRIA	4	1,336	1,304	36	398	30.5
VALLE D'AOSTA	1	181	185	0	112	60.5
VENETO	9	1,704	2,105	110	1,129	53.6
Total Italy	193	49,579	53,725	2,213	18,074	33.6

Source: Justice Ministry website:https://www.giustizia.it/giustizia/it/mg_1_14_1.wp?previousPage=mg_1_14&cont

Although many explanations can be found for this trend, the fact that undocumented migrants end up working in the underground economy may indirectly contribute to an increase in deviant behaviour among migrants. There is also a self-selection process linking deviant behaviour and employment in the shadow or illegal economy. Clearly, people who engage in risky and illegal ways of entering a country without the proper documents and who then are willing to make a life in the underground economy are generally more prone not to respect the rules. This might also include engaging in straightforward illegal activities, as these are the activities that pay the most. Another element that should not be underestimated is that sometimes migrants are inducted to crime by the same people who smuggle them into the receiving country, sometimes with the aim of being repaid the debt they incurred to migrate. Finally, the fact that the receiving country, Italy in this case, offers easy unauthorised entry and easy irregular work may give migrants the impression that it is not necessary to respect the rules.⁷⁸

Thus, we can conclude that the characteristics of migration processes in Italy are such that they tend to pre-select migrants who are willing to enter the country irregularly and to work in a well-established and thriving underground economy. In turn, the existence of such a flourishing non-emerged sector acts as a catalyst for illegal

⁷⁸ *Ibid.*

migration, representing a significant pull factor for migrants in general and sans-papiers in particular. However, the downside of this easy access to irregular or even illegal activities is the difficulty for migrants to really integrate in the host society and their increasing marginalisation, which may incentivise them to increase their deviant tendencies. Of course, one solution to all this would be to curb the underground sector in Italy but, as noted in this article, even assuming that the various Italian administrations have really been willing to do so, they do not seem to have been particularly successful.

Conclusion

Italian problems of competitiveness are not only linked to macro-economic dynamics but also derive from some deeply engrained socio-economic phenomena. One of the most serious is the growing importance of the underground economy, which includes both the informal shadow economy and the illegal one.

Given that the OECD has strongly backed the inclusion of the non-emerged economy into countries' official accounts, the estimates provided by reputable Italian research institutes such as Eurispes note that the size of the Italian underground economy is currently half of official GDP. This is a frightening figure, which conceals the dualist nature of the Italian economy.

One of the largest components of the underground economy is irregular employment, especially in personal and domestic services, and agriculture, although irregular jobs are available even in the manufacturing sector in Italy, contrary to other southern European countries. In spite of the liberalisation of the labour markets carried out in the last decades under the auspices of the EU and other international organisations, the rate of irregularity of the Italian labour markets has actually increased.

If it is a fact that irregular employment is widespread throughout the peninsula and involves mostly Italian workers; it is also a fact that the vast majority of migrants, and certainly all irregular ones, find work only in the underground economy. This is especially true for irregular migrants working in the agricultural sector in the Italian South, where the working conditions, very often controlled by organised crime, are unacceptable to say the least.

However, notwithstanding the dire conditions in which immigrants find themselves in the Italian underground sectors, this actually represents a strong pull factor for irregular migration into the country. It is indeed plausible that immigrants who are prepared to undergo risky and costly migratory processes, often with the help of organised crime, are more likely to prefer those countries with easy access to the irregular labour market and, therefore, with thriving and well established underground economies. However, if this is an incentive for them to enter Italian territory irregularly, it is also at the root of their marginalisation from Italian society, and increases their likelihood to 'misbehave'.

Overall, relying on cheap, unskilled immigrant labour, often of an irregular nature, does not help Italy increase its competitiveness in the global political economy. Instead, this exacerbates the more unfavourable characteristics of the Italian productive structure, such as the very small dimensions of its companies, the lack of innovation and the low skill and low technology content of its production. These, perhaps, are the real causes of its continuous decline, as well as its more recent acute crisis.

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